

## POLITICAL AND ECONOMIC ASPECTS OF DEVELOPMENT OF THE EURASIAN ECONOMIC UNION

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The Eurasian Economic Union (EAEU) deals today as a multifunctional long-term strategic scene. The first stage was an economic union to provide free movement of goods. In 2015 the formation of the united energy market was started and up to 2025 it is supposed to form the united Eurasian hydrocarbons market to stimulate the ongoing development of the Eurasian economy. In the nearest future there will be taken into account also social, cultural and political themes to broaden the room of cultural dialogue and strengthen the cultural sovereignty of the union members.

**Among objective hindrances of the EAEU enlargement and deepening of the integration process we can name the following:**

1) conflict tensions between Russia and the West which have impact on the post-Soviet space and hamper the European vector of the Eurasian integration;

2) disparity of some modernizing projects put forth by the candidates for joining the EAEU when such projects do not correspond to the Eurasian integration strategy worked out by the main participants;

3) incoherence of the economic models applied by different post-Soviet states (the strategy of own resources development);

4) a weak consolidation of political, governmental and administrative institutions within the would-be participants that restricts the opportunities of their participation in the integration and modernization process in the post-Soviet space;

5) the absence of the proper political consensus among the elite of certain states which are the would-be members of the EAEU. It complicates their final choice in favor of the integration strategy.

Despite difficulties and discrepancies the development and qualitative improvement of the EAEU is going on. The improvement of the structural organization and re-position of its traditional participants is one of the vector for the union development.

The presidency emphasizes the influence and importance of this country within the union.

The most important partner of Russia in EAEU is the Republic of Belarus.

However, according to the Vienna Institute of International Economic Studies, the Belarusian economy has undergone "painful restructuring and a prolonged recession." In 2016, GDP fell by 2.6 percent, after falling by 3.8 percent in the previous year.

One of the main reasons for such a sharp decline was the dispute between Belarus and Russia at the price at which Moscow should sell its oil to Minsk. This led to a reduction in oil supplies. About one third of Belarus' export income comes from the processing and export of Russian oil.

The goals of Russia remain unchanged: to keep Belarus in the fold and the Eurasian Economic Community.

In the situation of the deepening economic crisis and the Western sanctions imposed on Russia the Kazakhstan's role is to be a stabilizer for the economic situation within the EAEU

or like a window towards the West as well as a mediator in the political negotiations with the West. During the period of different integration projects Kazakhstan distinguished itself as a consistent and active member of the Eurasian integration process supporting Russia's view towards the main integration problems. All these makes Kazakhstan's presidency rather understandable.

The EAEU institution's development is going on. The new staff for the Eurasian board is formed — two members from every member state. Armenia chose the EAEU at the end of 2013 and is not bordered by other EAEU members. Armenia's political environment is problematic and its economy depends to much extent on the relationship with Iran. One can certainly suppose that a full-scale Eurasian integration of Armenia takes time and efforts. This process will be complicated by geopolitical factors as well as the difficult political situation in Armenia itself.

As for Georgia it is necessary to note that the unanimous position of its elite supported by the certain part of the Georgian populace means Euro-Atlantic integration. The only hindrance here is the Abkhazia and South Ossetia problem which independence is not recognized by Tbilisi. The ongoing tensions between Georgia and Russia turn a free trade zone with Georgia into a hypothetical perspective.

Are there any real prospects of the EAEU enlargement? Nowadays in the post-Soviet world there is no other effectively working inter-state unions with development potential like that of the EAEU. Unfortunately the CIS could not work as an effective tool of the post-Soviet integration. The uniting of the post-Soviet states into regional blocks (for example, the Central Asian Union) did not bring the expected effect. The prospects of the integration into EU institutions are so far speculative for the majority of the post-Soviet states and does not grant tangible economic and social advantages, at least at the starting period. In this regard the more scrutinizing attention to the integration potential of the EAEU is of importance as well as the would-be vectors of further integration.

Under such geopolitical circumstances the Central Asian vector is getting a special importance. Having integrated Kyrgyzstan and planning to integrate Tajikistan in the nearest future the EAEU authorities and these of Russia first of all try to play the lead enhancing their influence in the Central Asian region. Russia gets so additional political opportunities, approaches to new markets and important communications and raw material sources. However the effects of the getting in new EAEU members may be ambiguous. The contemporary Central Asia is a continuum of problems due to unstable governing institutions, necessity of political-administrative transition, instability of economics based on raw materials and agriculture. The situation is aggravated by the threatening export of radical Islam to the region.

The key problems of newly integrated Kyrgyzstan is a structural degradation of economy, low productivity and the triumph of the mediator economic model based on re-export and re-import. None the less at the outset of the integration process Kyrgyzstan has a chance to use the EAEU mechanisms to stabilize its social and economic situation.

Among other problems with Kyrgyzstan's integration there are migration, informal ways of social and political life and the influence of the Russian economy upon the economy of Kyrgyzstan.

As for possible Tajikistan's joining the EAEU there are both supporters and opponents of this idea. Simultaneously the integration of Tajikistan poses the risk of engaging other EAEU states into regional conflicts. The expert community is worried by the weakness of Tajikistan's state bodies.

As for the states not bordered by the EAEU members and being interested in forming a free trade zone with the EAEU (Egypt, Israel, Tunisia, Pakistan, Jordan, Mongolia) the diversity of these countries, their belonging to different geopolitical and geo-economic regions, their obligations concerning their foreign policy or external economy, weak ties with Great

Eurasia make their inclusion into Common Economic Space rather disputable in the nearest future as the best case scenario.

There exist some difficulties concerning other and more probable candidates for the EAEU joining. First of all it concerns Uzbekistan's which left CSTO in 2006 believing the political guarantees of the West for power transition (in 2014 the Uzbekistan's authorities refused from it). For a long period Uzbekistan relied on social and economic modernization process with its own resources (demographic ones as well as raw materials) including own (re)industrialization program. It was supposed to form a potential sales market for growing Uzbekistan's economy wishing the Central Asia Union. The Union was torpedoed by Kyrgyzstan's joining the WTO in December 1998. Following this logics Uzbekistan never yearned for a full-scale integration with other post Soviet states. Uzbekistan successively left the Central Asia Union, the Eurasian Economic Union, rejected the invitation to join the Custom Union and did not intend to join the WTO till 2020. However its raw material resources turned to be restricted, the demographic problems and unemployment also were getting more acute and odd successful investments or some high tech projects did not let to talk about careful and complex re-industrialization.

The would-be integration of Uzbekistan into the EAEU is complicated by the autarkic elements in Uzbekistan's economy together with complex processes within Uzbekistan's political class. As the background of rivalry with Kazakhstan for regional leadership Uzbekistan's business elite is worried by the growing economic influence of more powerful Kazakhstan which business is more deeply integrated with the stronger economy of the Russian Federation. In total all these factors let us to hope only for associated relationships between Uzbekistan and the EAEU though making possible the formation of a free trade zone.

Having huge natural gas resources Turkmenistan takes today a special position as for joining any union. Turkmenistan officially declared its neutrality and is balancing between EU, Russia, China and Iran. The West, Iran and China consider Turkmenistan to be an important partner in the energetic sphere. Year to year the extraction volumes grow at 10 %. But worsening the situation on Turkmenistan-Afghanistan border — a row of assaults on Turkmen frontier posts with casualties among the Turkmen border troops make the official Ashgabad's strategy of self-sufficiency rather dubious and compel it to tighten contacts with SCO. Integration of Turkmenistan into the EAEU in the foreseeable future is unlikely if taking into consideration clashes of Turkmenistan's economic interests with position of other participants of the Eurasian integration.

The EAEU enlargement is not narrowed only to the post-Soviet space. The growing Chinese economy needs raw materials and Central Asian region is rich with them. Also China needs transit roads to Europe. It encourages China to undertake big infrastructure projects and Great Silk Road is one of them. This projects confirms the aspiration of the Chinese authorities to integrate into the global infrastructure to enhance general competitiveness of the Chinese economy and provide the access to new markets. For Russia and Central Asian countries participation in the Chinese projects means investments into transport infrastructure, revival of the regions participating into the projects as well as the adjacent territories, additional opportunities for energy export to China.

Thus we can certainly point out the variety of chances and opportunities as well as challenges and problems for the EAEU. Obviously the evolving situation demands from the EAEU to provide complex multilateral strategy in order to minimize threats and face the challenges in the appropriate way applying the whole set of existing and emerging possibilities for strengthening the union's position. The necessity for such strategy with participation of all member states is becoming urgent.